Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Number of Stores	136	203	336	106
Net Sales Volume	$288,642	$393,480	$672,948	$1,594,196
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+3.14%	+4.60%	+4.07%	+4.41%
Gross Sales	101.33%	101.60%	102.14%	102.58%
Less: Total Deductions	1.33	1.60	2.14	2.58
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.18	64.71	65.25	66.84
Margin Before Purchase Rebate or Patronage Dividend	35.82	35.29	34.75	33.16
Purchase Rebate or Patronage Dividend	.72	.98	1.14	.98
Margin After Purchase Rebate or Patronage Dividend	36.54	36.27	35.89	34.14
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	4.86	5.50	4.75	4.01
Salaries/Wages — Other Employees	11.19	10.92	11.99	11.39
Federal and State Payroll Taxes	1.34	1.37	1.41	2.04
Group Insurance	.59	.75	.64	.69
Benefit Plans	.26	.29	.37	.56
Total Payroll and Other Employee Expense	18.24	18.83	19.16	18.69
Occupancy Expense				
Heat, Light, Power, Water	1.19	1.14	1.16	.99
Building Repairs and Maintenance	.20	.17	.17	.17
Rent or Ownership in Real Estate**	3.67	4.20	3.86	3.71
Total Occupancy Expense	5.06	5.51	5.19	4.87
Other Costs of Doing Business				
Office Supplies and Postage	.50	.50	.50	.37
Advertising and Promotion	2.05	2.22	2.46	2.82
Donations	.07	.08	.08	.05
Telephone and Telegraph	.40	.36	.34	.30
Bad Debts	.19	.12	.16	.21
Credit Card Expense (Bank Charges)	.15	.14	.13	.21
Delivery Expenses (Other than Wages)	.72	.49	.47	.30
Leasing Expenses (Non-Occupancy)	.08	.12	.12	.16
Insurance (Other than Real Estate and Group)	1.07	.69	.75	.56
Taxes (Other than Real Estate and Payroll)	.59	.46	.46	.39
Interest (Other than Real Estate)	1.34	1.48	1.39	1.12
Depreciation (Other than Real Estate)	1.10	.87	1.06	.84
Store and Shop Supplies	.45	.48	.48	.48
Legal and Accounting	.54	.54	.44	.39
Computer Services and Expenses (Other than Wages)	.14	.07	.14	.08
Dues and Subscriptions	.10	.11	.09	.07
Travel, Buying, Entertainment	.20	.20	.25	.30
Miscellaneous Services (Laundry, Disposal, Etc.)	.17	.12	.08	.18
Unclassified Expenses	.67	.57	.64	.46
Total Other Costs of Doing Business	10.53	9.62	10.04	9.29
Total Operating Expenses	33.83	33.96	34.39	32.85
Operating Profit or Loss	2.71	2.31	1.50	1.29
Other Income	1.16	1.58	1.45	1.62
Net Operating Profit or Loss (Before Income Taxes)	3.87	3.89	2.95	2.91

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Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Total Dollar Assets	$153,898	$208,118	$335,065	$705,982
		% of Total Assets		
Assets				
Cash On Hand and In Bank	7.84	8.78	6.19	4.67
Notes and Installment Contracts Receivable	2.00	3.21	2.98	4.85
Accounts Receivable	9.32	9.15	9.89	10.40
Merchandise Inventory (End of Year)	52.30	54.61	53.59	54.36
Other Current Assets	3.58	1.54	3.47	2.11
Total Current Assets	75.04	77.29	76.12	76.39
Stocks and Bonds	3.33	3.89	4.87	4.29
Real Estate (Not Used in Business)	1.04	.41	.14	.14
Other Investments	3.13	4.48	3.80	3.62
Total Investments	7.50	8.78	8.81	8.05
Land (Owned and Used in Business)	3.24	1.48	1.69	2.04
Buildings (Owned and Used in Bus. Less Depre.)	6.93	5.60	5.19	5.97
Leasehold Improvements (Less Amortization Depreciation)	.58	.80	1.16	.90
Furniture, Fixtures, Equipment (Own. & Used in Bus.-Depre.)	4.04	3.63	4.45	5.32
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.58	1.31	1.21	.90
Other Fixed Assets	1.09	1.11	1.37	.43
Total Fixed Assets	17.46	13.93	15.07	15.56
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	8.86	9.37	10.54	13.37
Current Portion of Notes Payable	2.79	2.73	3.70	4.05
Accrued Payroll Taxes	.60	.58	.55	.38
Accrued Other Taxes	1.06	1.15	1.21	1.73
Other Accrued Expenses	.67	1.01	1.43	2.09
Other Current Liabilities	7.17	3.18	4.43	3.81
Total Current Liabilities	21.15	18.02	21.86	25.43
Notes Due Partners/Officers	4.03	5.57	5.82	5.62
Mortgage Payable	6.67	3.96	3.54	4.54
Long Term Debt	12.11	15.37	14.64	12.01
Other Long Term Liabilities	.69	1.83	.83	1.01
Total Long Term Liabilities	23.50	26.73	24.83	23.18
Total Liabilities	44.65	44.75	46.69	48.61
Net Worth	55.35	55.25	53.31	51.39
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	13.10%	13.32%	11.11%	12.79%
Active Owner's Return	29.58%	32.12%	28.98%	30.43%
Current Asset Ratio	3.55x	4.29x	3.48x	3.00x
Quick Asset Ratio	1.08x	1.26x	1.03x	.87x
Total Debt to Tangible Net Worth	80.65%	80.98%	87.58%	94.60%
Stock Turn Times	2.33x	2.27x	2.47x	2.79x
Sales to Inventory Ratio	3.63x	3.51x	3.78x	4.18x
Average Inventory per Sq. Ft. Sales Area	$37.82	$31.31	$28.88	$28.85
Net Sales to Accounts Receivable	20.13x	20.67x	20.32x	21.71x
Net Sales to Total Assets	1.88x	1.89x	2.01x	2.26x
Net Sales to Net Worth	3.39x	3.42x	3.77x	4.39x
Net Sales to Net Working Capital	3.48x	3.19x	3.70x	4.43x
Other Operating Data				
Credit Sales — % of Total Gross Sales	31.61%	29.75%	27.73%	25.16%
Consumer Sales — % of Total Gross Sales	75.25%	78.46%	75.60%	80.17%
Selling Area — Square Feet	2,139	3,859	6,635	14,235
Sales Per Square Foot — Selling Area	$131.65	$100.98	$101.16	$113.02
Total Area — Square Feet	3,627	6,142	9,813	19,608
Sales Per Square Foot — Total Area	$76.46	$63.79	$69.37	$83.24
Sales Per Person Employed	$63,084	$62,747	$67,902	$76,579
Sales Per Customer	$7.99	$9.06	$9.03	$12.19

Type of Ownership

Income Statement Data	Sole Proprietorship	Partnership	Corporation
Number of Stores	150	38	641
Net Sales Volume	$278,571	$345,701	$754,057
Current Year's Sales vs. Previous Year (1985 vs 1984)*	+3.07%	+4.43%	+4.24%
Gross Sales	101.99%	102.80%	102.15%
Less: Total Deductions	1.99	2.80	2.15
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.90	67.85	65.52
Margin Before Purchase Rebate or Patronage Dividend	35.10	32.15	34.48
Purchase Rebate or Patronage Dividend	1.10	.52	1.05
Margin After Purchase Rebate or Patronage Dividend	36.20	32.67	35.53
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.21	4.47	4.65
Salaries/Wages — Other Employees	10.45	8.17	11.90
Federal and State Payroll Taxes	.95	.89	1.67
Group Insurance	.50	.44	.68
Benefit Plans	.09	.26	.43
Total Payroll and Other Employee Expense	15.20	14.23	19.33
Occupancy Expense			
Heat, Light, Power, Water	1.51	1.32	1.07
Building Repairs and Maintenance	.20	.19	.17
Rent or Ownership in Real Estate**	4.35	3.77	3.77
Total Occupancy Expense	6.06	5.28	5.01
Other Costs of Doing Business			
Advertising and Promotion	2.67	2.15	2.50
Insurance (Other than Real Estate or Group)	.85	.83	.71
Taxes (Other than Real Estate and Payroll)	.32	.27	.46
Interest (Other than Real Estate)	1.86	1.65	1.27
Depreciation (Other than Real Estate)	1.20	1.03	.94
All Other Expenses	3.86	3.90	3.85
Total Other Costs of Doing Business	10.76	9.83	9.73
Total Operating Expense	32.02	29.34	34.07
Operating Profit or Loss	4.18	3.33	1.46
Other Income	1.12	1.35	1.53
Net Operating Profit or Loss (Before Income Taxes)	5.30	4.68	2.99
Financial Performance			
Profit on Investment	17.69%	18.16%	11.81%
Active Owner's Return	28.38%	35.50%	30.17%
Current Asset Ratio	3.89x	3.70x	3.41x
Quick Asset Ratio	.79x	.93x	1.03x
Total Debt to Tangible Net Worth	103.34%	106.71%	87.25%
Stock Turn Times	2.12x	2.19x	2.56x
Sales to Inventory Ratio	3.26x	3.23x	3.91x
Average Inventory per Sq. Ft. Sales Area	$22.24	$25.23	$31.27
Net Sales to Accounts Receivable	28.61x	16.65x	20.46x
Net Sales to Total Assets	1.64x	1.88x	2.11x
Net Sales to Net Worth	3.34x	3.88x	3.94x
Net Sales to Net Working Capital	3.44x	3.32x	3.82x
Other Operating Data			
Credit Sales — % of Total Gross Sales	24.38%	24.15%	28.45%
Consumer Sales — % of Total Gross Sales	79.03%	80.71%	75.93%
Selling Area — Square Feet	3,942	4,261	6,845
Sales Per Square Foot — Selling Area	$71.32	$81.25	$113.70
Total Area — Square Feet	5,727	6,654	9,952
Sales Per Square Foot — Total Area	$48.89	$52.88	$78.16
Sales Per Person Employed	$56,381	$68,993	$70,262
Sales Per Customer	$7.19	$10.89	$10.08

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Trade Area Size

Income Statement Data	M.S.A.† Central City	M.S.A.† Suburban	Cities 10,000 To 50,000	Towns Under 10,000
Number of Stores	111	51	222	500
Net Sales Volume	$821,421	$699,477	$813,435	$522,629
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+6.95%	+2.64%	+3.22%	+3.97%
Gross Sales	101.97%	102.25%	102.34%	102.03%
Less: Total Deductions	1.97	2.25	2.34	2.03
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	60.97	63.36	66.04	67.38
Margin Before Purchase Rebate or Patronage Dividend	39.03	36.64	33.96	32.62
Purchase Rebate or Patronage Dividend	.70	1.40	1.07	1.10
Margin After Purchase Rebate or Patronage Dividend	39.73	38.04	35.03	33.72
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	4.80	5.35	4.56	4.22
Salaries/Wages — Other Employees	13.70	14.23	11.70	10.54
Federal and State Payroll Taxes	1.59	1.62	1.99	1.28
Group Insurance	.69	.88	.68	.61
Benefit Plans	.56	.16	.47	.30
Total Payroll and Other Employee Expense	21.34	22.24	19.40	16.95
Occupancy Expense				
Heat, Light, Power, Water	1.02	1.07	1.05	1.20
Building Repairs and Maintenance	.21	.12	.15	.17
Rent or Ownership in Real Estate**	4.45	4.24	3.86	3.57
Total Occupancy Expense	5.68	5.43	5.06	4.94
Other Costs of Doing Business				
Advertising and Promotion	2.57	2.49	2.58	2.45
Insurance — Other than Real Estate or Group	.75	.71	.66	.76
Taxes — Other than Real Estate or Payroll	.47	.40	.43	.42
Interest — Other than Real Estate	1.13	.94	1.14	1.66
Depreciation — Other than Real Estate	1.05	.67	.87	1.06
All Other Expenses	4.27	3.37	3.61	3.97
Total Other Costs of Doing Business	10.24	8.58	9.29	10.32
Total Operating Expenses	37.26	36.25	33.75	32.21
Operating Profit or Loss	2.47	1.79	1.28	1.51
Other Income	1.43	1.17	1.57	1.63
Net Operating Profit or Loss (Before Income Taxes)	3.90	2.96	2.85	3.14
Financial Performance				
Profit on Investment	19.71%	10.54%	10.71%	11.79%
Active Owner's Return	43.94%	29.59%	27.89%	27.62%
Current Asset Ratio	2.73x	4.56x	3.12x	3.84x
Quick Asset Ratio	.79x	1.33x	.93x	1.10x
Total Debt to Tangible Net Worth	96.94%	55.14%	87.64%	97.88%
Stock Turn Times	3.02x	2.63x	2.50x	2.35x
Sales to Inventory Ratio	4.96x	4.15x	3.78x	3.49x
Average Inventory per Sq. Ft. Sales Area	$29.43	$36.96	$32.90	$27.40
Net Sales to Accounts Receivable	27.41x	24.12x	21.32x	18.49x
Net Sales to Total Assets	2.56x	2.29x	2.01x	1.90x
Net Sales to Net Worth	5.04x	3.56x	3.76x	3.75x
Net Sales to Net Working Capital	5.46x	3.76x	3.88x	3.33x
Other Operating Data				
Credit Sales — % of Total Gross Sales	15.42%	23.47%	29.58%	30.48%
Consumer Sales — % of Total Gross Sales	71.01%	79.47%	74.78%	78.86%
Selling Area — Square Feet	6,176	5,400	7,546	5,671
Sales Per Square Foot — Selling Area	$140.13	$129.44	$113.02	$92.55
Total Area — Square Feet	8,475	8,263	11,161	8,267
Sales Per Square Foot — Total Area	$101.85	$87.78	$76.01	$63.60
Sales Per Person Employed	$70,340	$70,146	$67,035	$70,174
Sales Per Customer	$9.74	$8.36	$10.32	$9.75

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†Metropolitan Statistical Area.

Store Location: Part I

Income Statement Data	Downtown	Suburban	Rural
Number of Stores	385	300	89
Net Sales Volume	$556,165	$801,085	$605,091
Current Year's Sales vs. Previous Year(1985 vs. 1984)*	+2.46%	+6.31%	+ .88%
Gross Sales	102.67%	101.66%	101.78%
Less: Total Deductions	2.67	1.66	1.78
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.64	64.81	68.87
Margin Before Purchase Rebate or Patronage Dividend	34.36	35.19	31.13
Purchase Rebate or Patronage Dividend	.94	1.14	.82
Margin After Purchase Rebate or Patronage Dividend	35.30	36.33	31.95
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.50	4.86	3.53
Salaries/Wages — Other Employees	12.32	11.65	8.53
Federal and State Payroll Taxes	1.39	1.39	3.37
Group Insurance	.76	.58	.64
Benefit Plans	.40	.43	.39
Total Payroll and Other Employee Expense	19.37	18.91	16.46
Occupancy Expenses			
Heat, Light, Power, Water	1.15	1.10	.97
Building Repairs and Maintenance	.18	.17	.17
Rent or Ownership in Real Estate**	3.64	3.97	3.65
Total Occupancy Expense	4.97	5.24	4.79
Other Costs of Doing Business			
Advertising and Promotion	2.38	2.75	2.03
Insurance (Other than Real Estate and Group)	.79	.65	.70
Taxes (Other than Real Estate and Payroll)	.47	.46	.38
Interest (Other than Real Estate)	1.31	1.31	1.26
Depreciation (Other than Real Estate)	.90	1.01	1.06
All Other Expenses	3.98	3.83	3.56
Total Other Costs of Doing Business	9.83	10.01	8.99
Total Operating Expenses	34.17	34.16	30.24
Operating Profit or Loss	1.13	2.17	1.71
Other Income	1.78	1.38	1.21
Net Operating Profit or Loss (Before Income Taxes)	2.91	3.55	2.92
Financial Performance			
Profit on Investment	9.92%	15.55%	10.28%
Active Owner's Return	25.26%	36.79%	22.72%
Current Asset Ratio	3.69x	3.17x	3.56x
Quick Asset Ratio	1.12x	.86x	1.18x
Total Debt to Tangible Net Worth	80.67%	94.83%	83.31%
Stock Turn Times	2.35x	2.66x	2.58x
Sales to Inventory Ratio	3.57x	4.10x	3.75x
Average Inventory per Sq. Ft. Sales Area	$29.51	$29.81	$31.56
Net Sales to Accounts Receivable	17.55x	26.05x	17.11x
Net Sales to Total Assets	1.89x	2.24x	1.92x
Net Sales to Net Worth	3.41x	4.37x	3.52x
Net Sales to Net Working Capital	3.38x	4.32x	3.47x
Other Operating Data			
Credit Sales — % of Total Gross Sales	31.21%	23.96%	28.03%
Consumer Sales — % of Total Gross Sales	76.73%	76.79%	75.88%
Selling Area — Square Feet	5,696	7,046	5,989
Sales Per Square Foot — Selling Area	$99.92	$113.20	$104.80
Total Area — Square Feet	8,837	9,912	8,029
Sales Per Square Foot — Total Area	$63.71	$82.32	$75.84
Sales Per Person Employed	$64,987	$70,886	$77,130
Sales Per Customer	$9.11	$9.90	$12.16

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Store Location: Part II

Income Statement Data	Shopping Center: Neighborhood	Shopping Center: Community or Regional	Free-Standing: No Stores Adjacent	Free-Standing: Stores Nearby
Number of Stores	127	92	151	393
Net Sales Volume	$627,240	$587,415	$830,549	$615,034
Current Year's Sales vs. Previous Year(1985 vs. 1984)*	+5.82%	+5.41%	+5.80%	+3.26%
Gross Sales	101.40%	102.60%	101.87%	102.41%
Less: Total Deductions	1.40	2.60	1.87	2.41
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	63.54	64.09	66.88	65.76
Margin Before Purchase Rebate or Patronage Dividend	36.46	35.91	33.12	34.24
Purchase Rebate or Patronage Dividend	1.18	1.01	1.08	.96
Margin After Purchase Rebate or Patronage Dividend	37.64	36.92	34.20	35.20
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	4.94	5.65	4.30	4.50
Salaries/Wages — Other Employees	11.39	11.79	11.12	11.74
Federal and State Payroll Taxes	1.41	1.51	1.43	1.80
Group Insurance	.50	.73	.59	.76
Benefit Plans	.38	.51	.41	.39
Total Payroll and Other Employee Expense	18.62	20.19	17.85	19.19
Occupancy Expense				
Heat, Light, Power, Water	1.21	1.16	1.02	1.10
Building Repairs and Maintenance	.14	.21	.17	.18
Rent or Ownership in Real Estate**	4.32	4.46	3.44	3.80
Total Occupancy Expense	5.67	5.83	4.63	5.08
Other Costs of Doing Business				
Advertising and Promotion	2.87	2.26	2.60	2.44
Insurance (Other than Real Estate or Group)	.63	.72	.68	.74
Taxes (Other than Real Estate and Payroll)	.36	.18	.41	.49
Interest (Other than Real Estate)	1.57	1.41	1.32	1.19
Depreciation (Other than Real Estate)	1.10	1.09	.96	.93
All Other Expenses	3.87	3.91	3.69	3.91
Total Other Costs of Doing Business	10.40	9.57	9.66	9.70
Total Operating Expenses	34.69	35.59	32.14	33.97
Operating Profit or Loss	2.95	1.33	2.06	1.23
Other Income	.98	1.36	1.57	1.66
Net Operating Profit or Loss (Before Income Taxes)	3.93	2.69	3.63	2.89
Financial Performance				
Profit on Investment	19.08%	10.56%	12.64%	11.17%
Active Owner's Return	43.04%	32.80%	27.58%	28.52%
Current Asset Ratio	3.42x	3.52x	3.73x	3.21x
Quick Asset Ratio	.77x	.95x	1.20x	.98x
Total Debt to Tangible Net Worth	113.12%	87.10%	83.12%	86.50%
Stock Turn Times	2.45x	2.33x	2.52x	2.62x
Sales to Inventory Ratio	3.86x	3.63x	3.77x	3.98x
Average Inventory per Sq. Ft. Sales Area	$27.97	$29.07	$33.62	$28.96
Net Sales to Accounts Receivable	30.75x	23.09x	19.21x	20.09x
Net Sales to Total Assets	2.28x	2.10x	1.90x	2.07x
Net Sales to Net Worth	4.85x	3.94x	3.48x	3.86x
Net Sales to Net Working Capital	4.16x	3.68x	3.45x	4.01x
Other Operating Data				
Credit Sales — % of Total Gross Sales	19.20%	26.08%	29.63%	28.10%
Consumer Sales — % of Total Gross Sales	80.76%	77.30%	74.43%	76.39%
Selling Area — Square Feet	6,189	6,141	7,113	5,855
Sales Per Square Foot — Selling Area	$103.10	$95.24	$119.70	$106.04
Total Area — Square Feet	8,035	8,355	10,188	8,822
Sales Per Square Foot — Total Area	$81.93	$70.12	$82.68	$70.14
Sales Per Person Employed	$65,259	$64,351	$74,796	$68,619
Sales Per Customer	$8.20	$9.02	$11.12	$10.06

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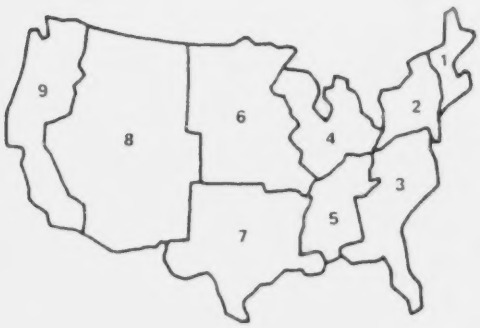
Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania

3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin

5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee

6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas

8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

9. **Pacific**
   California, Oregon, Washington

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Income Statement Data	1 New England
Number of Stores	105
Net Sales Volume	$616,379
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+6.19%
Gross Sales	101.62%
Less: Total Deductions	1.62
Net Sales	100.00%
Cost of Goods Sold	65.31
Margin Before Purchase Rebate or Patronage Dividend	34.69
Purchase Rebate or Patronage Dividend	.88
Margin After Purchase Rebate or Patronage Dividend	35.57
Payroll and Other Employee Expense	
Salaries — Owners/Officers/Managers	4.63
Salaries/Wages — Other Employees	11.80
Federal and State Payroll Taxes	1.45
Group Insurance	.79
Benefit Plans	.15
Total Payroll and Other Employee Expense	18.82
Occupancy Expense	
Heat, Light, Power, Water	.97
Building Repairs and Maintenance	.09
Rent or Ownership in Real Estate**	4.11
Total Occupancy Expense	5.17
Total Costs of Doing Business	
Advertising and Promotion	1.96
Insurance (Other than Real Estate and Group)	.92
Taxes (Other than Real Estate and Payroll)	.33
Interest (Other than Real Estate)	1.18
Depreciation (Other than Real Estate)	.94
All Other Expenses	4.29
Total Other Costs of Doing Business	9.62
Total Operating Expense	33.61
Operating Profit or Loss	1.96
Other Income	1.48
Net Operating Profit or Loss (Before Income Taxes)	3.44
Financial Performance	
Profit on Investment	14.92%
Active Owner's Return	35.00%
Current Asset Ratio	3.55x
Quick Asset Ratio	1.16x
Total Debt to Tangible Net Worth	91.16%
Stock Turn Times	2.75x
Sales to Inventory Ratio	4.21x
Average Inventory Per Sq. Ft. Sales Area	$37.17
Net Sales to Accounts Receivable	17.81x
Net Sales to Total Assets	2.27x
Net Sales to Net Worth	4.34x
Net Sales to Net Working Capital	3.92x
Other Operating Data	
Credit Sales — % of Total Gross Sales	38.94%
Consumer Sales — % of Total Gross Sales	73.62%
Selling Area — Square Feet	4,356
Sales Per Square Foot — Selling Area	$151.66
Total Area — Square Feet	6,448
Sales Per Square Foot — Total Area	$100.14
Sales Per Person Employed	$79,968
Sales Per Customer	$10.52

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Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
73	76	364	29	112	42	38	61
$532,292	$800,117	$654,318	$537,290	$464,491	$715,374	$845,166	$798,333
+6.40%	+11.10%	+3.10%	+4.24%	+1.46%	+2.36%	-4.48%	+3.95%
101.56%	101.29%	103.19%	102.92%	101.33%	100.94%	101.76%	100.71%
1.56	1.29	3.19	2.92	1.33	.94	1.76	.71
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
64.37	66.79	66.13	68.04	67.32	63.49	67.91	61.33
35.63	33.21	33.87	31.96	32.68	36.51	32.09	38.67
.83	.42	1.59	.92	.76	.59	.28	.70
36.46	33.63	35.46	32.88	33.44	37.10	32.37	39.37
4.37	5.10	4.27	3.78	5.03	4.54	2.72	4.62
11.45	11.24	11.79	11.70	10.41	12.93	10.32	13.45
1.53	1.12	1.44	1.10	1.36	1.36	4.62	1.58
.68	.50	.76	.50	.48	.46	.62	.54
.34	.51	.37	.27	.25	.36	.41	.84
18.37	18.47	18.63	17.35	17.53	19.65	18.69	21.03
1.19	.97	1.28	1.14	1.19	1.08	.81	.93
.22	.24	.18	.08	.12	.16	.12	.12
3.70	3.31	4.03	2.95	3.35	3.80	3.98	4.21
5.11	4.52	5.49	4.17	4.66	5.04	4.91	5.26
2.63	1.76	2.86	2.07	2.99	1.98	2.31	2.69
.92	.70	.65	.77	.69	.71	.58	.79
.44	.64	.40	.75	.16	.48	.50	.52
1.34	1.18	1.57	.90	1.73	.93	.97	1.58
.89	.97	1.04	.90	.99	1.02	.72	1.02
3.70	3.74	3.70	3.81	3.79	3.98	3.68	4.57
9.92	8.99	10.22	9.20	10.35	9.10	8.76	11.17
33.40	31.98	34.34	30.72	32.54	33.79	32.36	37.46
3.06	1.65	1.12	2.16	.90	3.31	.01	1.91
1.07	1.72	1.58	2.01	1.54	1.53	1.68	1.47
4.13	3.37	2.70	4.17	2.44	4.84	1.69	3.38
15.76%	13.59%	10.51%	13.45%	9.13%	14.94%	6.29%	17.12%
32.42%	34.14%	27.13%	25.64%	27.95%	28.93%	16.40%	40.55%
2.98x	3.14x	3.57x	3.53x	3.13x	4.51x	3.55x	3.15x
.77x	1.01x	1.04x	1.19x	.74x	1.44x	.96x	.85x
85.94%	86.62%	102.01%	73.04%	107.30%	48.76%	89.14%	99.06%
2.53x	2.93x	2.36x	2.42x	2.20x	2.79x	2.28x	2.79x
3.93x	4.39x	3.58x	3.55x	3.26x	4.39x	3.36x	4.56x
$31.79	$31.31	$28.37	$26.19	$27.21	$25.32	$35.89	$31.86
23.45x	14.11x	22.52x	15.17x	23.23x	20.20x	23.29x	26.13x
2.05x	2.16x	1.93x	1.86x	1.80x	2.07x	1.97x	2.55x
3.81x	4.03x	3.89x	3.22x	3.74x	3.09x	3.72x	5.07x
4.24x	4.34x	3.49x	3.25x	3.62x	3.77x	3.43x	4.82x
34.81%	29.04%	25.01%	43.34%	20.52%	30.34%	27.99%	24.99%
75.47%	67.07%	78.90%	77.86%	80.24%	71.34%	76.71%	79.63%
4,338	6,461	6,645	6,133	5,926	6,809	8,464	6,362
$121.47	$122.46	$98.96	$89.92	$80.91	$103.44	$100.60	$131.16
7,627	9,057	9,653	14,045	8,073	10,241	10,252	8,010
$72.74	$86.15	$68.35	$39.64	$61.75	$68.20	$81.86	$104.13
$63,021	$71,949	$66,329	$66,201	$63,824	$76,099	$73,288	$72,645
$9.84	$8.54	$9.96	$5.38	$13.11	$11.08	$9.50	$9.92

Number Of Stores

Income Statement Data	Single Store Business	Multiple Store Business
Number of Stores	798	103
Net Sales Volume	$643,803	$662,491
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+3.58%	+7.79%
Gross Sales	102.29%	100.89%
Less: Total Deductions	2.29	.89
Net Sales	100.00%	100.00%
Cost of Goods Sold	65.67	65.79
Margin Before Purchase Rebate or Patronage Dividend	34.33	34.21
Purchase Rebate or Patronage Dividend	1.09	.74
Margin After Purchase Rebate or Patronage Dividend	35.42	34.95
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	4.49	4.03
Salaries/Wages — Other Employees	11.79	11.07
Federal and State Payroll Taxes	1.39	2.98
Group Insurance	.67	.60
Benefit Plans	.39	.38
Total Payroll and Other Employee Expense	18.73	19.06
Occupancy Expense		
Heat, Light, Power, Water	1.13	1.08
Building Repairs and Maintenance	.16	.20
Rent or Ownership in Real Estate**	3.78	4.28
Total Occupancy Expense	5.07	5.56
Other Costs of Doing Business		
Advertising and Promotion	2.56	2.25
Insurance (Other than Real Estate and Group)	.75	.51
Taxes (Other than Real Estate and Payroll)	.44	.33
Interest (Other than Real Estate)	1.43	1.18
Depreciation (Other than Real Estate)	1.01	.74
All Other Expenses	3.94	3.49
Total Other Costs of Doing Business	10.13	8.50
Total Operating Expenses	33.93	33.12
Operating Profit or Loss	1.49	1.83
Other Income	1.61	1.12
Net Operating Profit or Loss (Before Income Taxes)	3.10	2.95
Financial Performance		
Profit on Investment	12.18%	11.55%
Active Owner's Return	29.78%	27.35%
Current Asset Ratio	3.42x	3.64x
Quick Asset Ratio	1.01x	.93x
Total Debt to Tangible Net Worth	94.72%	81.72%
Stock Turn Times	2.48x	2.61x
Sales to Inventory Ratio	3.77x	3.96x
Average Inventory per Sq. Ft. Sales Area	$28.04	$57.30
Net Sales to Accounts Receivable	20.10x	25.99x
Net Sales to Total Assets	2.01x	2.15x
Net Sales to Net Worth	3.92x	3.92x
Net Sales to Net Working Capital	3.72x	4.07x
Other Operating Data		
Credit Sales — % of Total Gross Sales	28.32%	24.99%
Consumer Sales — % of Total Gross Sales	76.60%	77.69%
Selling Area — Square Feet	6,127	6,544
Sales Per Square Foot — Selling Area	$107.10	$101.58
Total Area — Square Feet	8,965	9,323
Sales Per Square Foot — Total Area	$73.77	$70.66
Sales Per Person Employed	$68,619	$72,724
Sales Per Customer	$9.71	$10.60

*As reported to us by The Management Report contributors.
**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Departmental Sales

The Departmental Sales section of The Management Report offers a variety of information for fourteen departments carried in retail hardware outlets.

Departmental Contribution
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All stores participating in the survey that do not carry a particular department were not included in the computation of the average data for that department.

To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Management Report shows 90% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Management Report also presents an **Average Store Profile.** This profile shows data for a hardware store handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of a hardware store that does not carry all the major departments. How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report, only a simple computation is required. First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for a hardware store carrying only these departments.

As an example, a hardlines retailer carries only four departments — Hardware, Hand Tools, Paint & Home Decorating and Automotive Supplies. Assume The Management Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Automotive Supplies	5.0%

The total of these percents equals 50.0%. Now divide the total (50.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{50.0}$	= 30.0%
Hand Tools	$\frac{10.0}{50.0}$	= 20.0%
Paint & Home Decorating	$\frac{20.0}{50.0}$	= 40.0%
Automotive Supplies	$\frac{5.0}{50.0}$	= 10.0%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint & Home Decorating, and Automotive Supplies. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page, examine these departmental evaluation criteria.

An excellent way for hardware store operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost). Lawn and Garden's GMROI, for example, is 1.66 which means $1.66 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give hardware store operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditionally low margin, high turnover departments.

Individual hardware store operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory
Hardware	100.0	16.5	16.6	18.5	99.85	16.5	16.6	18.5
Hand Tools	100.0	7.0	7.5	8.2	100.26	7.0	7.5	8.2
Power Tools & Accessories	100.0	4.5	4.0	4.6	114.49	4.5	4.0	4.6
Plumbing, Heating & Cooling	100.0	13.5	13.1	12.1	111.53	13.5	13.1	12.1
Electrical Supplies	100.0	10.4	9.0	9.5	118.68	10.4	9.0	9.5
Paint & Home Decorating	96.9	12.1	11.8	12.0	114.19	11.0	10.8	10.6
Lumber	19.8	5.9	3.4	7.4	108.69	1.1	.5	1.4
Building Materials	35.0	6.1	5.2	6.7	106.39	1.9	1.8	2.4
Lawn & Garden	92.9	12.6	12.6	12.0	115.59	11.0	11.5	10.4
Housewares	87.0	8.9	11.4	10.4	71.47	7.3	9.6	8.6
Automotive Supplies	75.1	3.9	4.9	4.2	102.15	2.8	3.6	3.1
Major Appliances & Home Entertainment	30.8	11.9	10.0	9.9	123.34	3.2	2.3	2.4
Sporting Goods & Outdoor Living	64.1	5.4	6.2	5.2	89.07	3.2	3.8	3.0
Miscellaneous Goods	70.9	9.9	10.0	9.6	109.58	6.6	5.9	5.2
						100.0	100.0	100.0

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	44.1	3.2	1.41
Hand Tools	38.5	3.5	1.36
Power Tools & Accessories	29.5	3.8	1.14
Plumbing, Heating & Cooling	43.0	4.6	1.98
Electrical Supplies	41.4	4.5	1.86
Paint & Home Decorating	39.4	4.6	1.79
Lumber	28.6	3.5	.99
Building Materials	34.2	4.0	1.38
Lawn & Garden	36.3	4.6	1.66
Housewares	34.6	3.6	1.25
Automotive Supplies	35.8	3.9	1.39
Major Appliances & Home Entertainment	24.8	4.1	1.03
Sporting Goods & Outdoor Living	31.9	3.6	1.15
Miscellaneous Goods	35.0	4.0	1.41

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APPENDIX

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

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Definition of Ratios

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
- —Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
- —Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
- —Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
- —Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio
- —Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".
- —Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
- —Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".
- —Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
- —The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
- —Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
- —Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".
- —Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
- —Computed by dividing Net Sales by Average Inventory; expressed in "times".
- —Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area
- —Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.
- —A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
- —Computed by dividing Net Sales by Accounts Receivable; expressed in "times".
- —Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
- —Computed by dividing Net Sales by Total Assets; expressed in "times".
- —Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
- —Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".
- —Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
- —Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".
- —Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

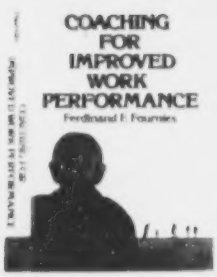
Sales Per Sq. Ft. — Selling Area
- —Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
- —Measures sales productivity.

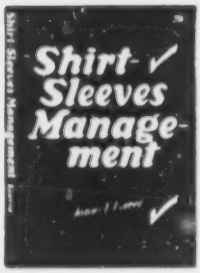
Sales Per Sq. Ft. — Total Area
- —Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
- —Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
- —Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
- —Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
- —Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
- —Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)
- —Computed by taking gross margin percentage times sales to inventory ratio.
- —Considers both margin and turnover.
- —Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.





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THE 1986 BOTTOM LINE

For Home Centers

HCI **home center institute**

August 31, 1986

AN OPEN LETTER TO HOME CENTER RETAILERS...

Never has the home center industry found itself in such a competitive environment.

Pressures on margins intensify...sales gains are not as easily achieved...advertising expenses increase...productivity must also increase or profits will erode.

That is why it is so important that one looks at industry averages and compares with one's own performance. This annual edition of THE BOTTOM LINE provides the industry's only "yardstick" by which you can compare yourself with other retailers.

THE BOTTOM LINE permits you to look at your business in numerous ways...by store size physically...by volume...by origin of your home center...by location...by type of ownership, etc.

If you submitted your financial data for this study (assured of complete confidentiality), you have received a comprehensive and confidential computer printout comparing your results to the average for all reporting stores in your category.

If you did not participate, make plans right now to do so next year. The personalized analysis becomes a valuable management tool for you, and your only cost to receive it is to send us the data needed for developing THE BOTTOM LINE.

We are indebted to all retailers who have made THE BOTTOM LINE such a useful membership service in the years since HCI was founded back in 1972.

Sincerely,

Bob Vereen

Bob C. Vereen
Executive Director

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Prepared by:
Marketing Research Deparment

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Introduction

The Bottom Line

The 1986 Bottom Line presents financial operating data for the home center industry. A home center, as defined by NRHA's Home Center Institute, is a retail outlet which carries the basic hardlines of hardware, tools, plumbing, paint and electrical supplies as well as lumber and building materials. Home Center operations are geared to generate sales in excess of $1 million at maturity. The Bottom Line is designed to fulfill several objectives:

- To assess the financial performance of the home center industry in 1985
- To provide comparative financial data so that retailers can measure their performance against industry averages
- To provide a frame of reference for profit planning enabling home center retailers to continually improve performance levels.

Additionally, The Bottom Line provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the home center industry.

Four Major Sections

The Bottom Line is divided into four major sections: Historical Trends for 1981 through 1985; The Strategic Profit Model; Average Operating Results for 1985; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Management Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The Strategic Profit Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in home center outlets. The percent of net sales, sales floor and inventory are outlined for handling firms only and for an average store. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Store

Many factors influence a home center's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Type of Origin
—Trade Area Size
—Store Location
—Store Orientation
—Number of Stores

Methodology

The Bottom Line is made possible only through the cooperation of the retail home center men and women who provide us with detailed information on their operation. Questionnaires were sent to home center operators in February 1986. Two hundred fifty-six usable returns were received by June 15, 1986 in time for inclusion in this year's report.

All survey forms were edited for completeness by NRHA's Marketing Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was key punched by a service bureau and then processed by NRHA's data processing department.

As thanks for their participation, each home center operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor size and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to The Bottom Line are the Management Report for retail hardware stores and The Profit Report for DIY lumber outlets.

For Assistance

Assistance and aid in interpreting the 1986 Bottom Line Report may be obtained from your regional hardware association or the National Retail Hardware Association/Home Center Institute.

Historical Trends

Income Statement Data	ALL HOME CENTERS FISCAL YEAR 1985	1984	1983	1982	1981
Net Sales Volume	$2,631,881	$2,875,479	$2,792,676	$2,394,983	$2,001,228
Gross Sales	102.62%	101.96%	102.08%	102.43%	102.53%
Less: Total Deductions	+2.62	+1.96	+2.08	+2.43	+2.53
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	70.70	72.70	68.80	69.46	71.24
Margin Before Purchase Rebate or Patronage Dividend	29.30	27.30	31.20	30.54	28.76
Purchase Rebate or Patronage Dividend	.41	.29	.33	.35	—
Margin After Purchase Rebate or Patronage Dividend	29.71	27.59	31.53	30.89	28.76
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	2.47	3.08	2.45	2.90	2.92
Salaries/Wages — Other Employees	10.23	9.98	12.28	12.35	10.74
Federal and State Payroll Taxes	1.17	1.11	1.21	1.23	1.11
Group Insurance	.50	.55	.65	.70	.51
Benefit Plans	.78	.44	.41	.56	.49
Total Payroll and Other Employee Expense	15.15	15.16	17.00	17.74	15.77
Occupancy Expense					
Heat, Light, Power, Water	.67	.60	.72	.80	.69
Building Repairs and Maintenance	.17	.38	.31	.31	.36
Rent or Ownership in Real Estate**	1.93	2.14	2.48	2.68	2.70
Total Occupancy Expense	2.77	3.12	3.51	3.79	3.75
Other Costs of Doing Business					
Advertising and Promotion	1.93	1.59	1.96	2.18	1.93
Insurance (Other than Real Estate or Group)	.37	.47	.41	.47	.52
Taxes (Other than Real Estate and Payroll)	.30	.47	.25	.34	.29
Interest (Other than Real Estate)	1.34	1.03	.61	1.00	1.04
Depreciation (Other than Real Estate)	.62	.70	.79	.76	.60
All Other Expenses	4.19	3.47	4.15	3.79	4.05
Total Other Costs of Doing Business	8.75	7.73	8.17	8.54	8.43
Total Operating Expenses	26.67	26.01	28.68	30.07	27.95
Operating Profit or Loss	3.04	1.58	2.85	.82	.81
Other Income	1.27	1.69	1.53	1.78	1.65
Net Operating Profit or Loss (Before Income Taxes)	4.31	3.27	4.38	2.60	2.46
Financial Performance					
Profit on Investment	20.89%	17.05%	17.49%	11.11%	12.32%
Active Owner's Return	32.86%	33.16%	27.26%	23.48%	20.50%
Current Asset Ratio	2.45x	2.32x	2.48x	2.18x	2.63x
Quick Asset Ratio	.95x	1.02x	.87x	.75x	.99x
Total Debt to Tangible Net Worth	90.86%	99.74%	66.60%	87.07%	83.71%
Stock Turn Times	4.10x	4.83x	3.89x	3.73x	4.32x
Sales to Inventory Ratio	5.80x	6.64x	5.65x	5.37x	6.07x
Average Inventory per Sq. Ft. Sales Area	$62.54	$49.00	$50.25	$50.67	$41.90
Net Sales to Accounts Receivable	12.47x	12.46x	15.70x	16.71x	16.15x
Net Sales to Total Assets	2.54x	2.62x	2.40x	2.28x	2.72x
Net Sales to Net Worth	4.85x	5.22x	3.99x	4.26x	5.00x
Net Sales to Net Working Capital	5.96x	6.37x	5.90x	6.36x	6.23x
Other Operating Data					
Credit Sales — % of Total Gross Sales	41.08%	53.82%	44.55%	42.79%	47.54%
Consumer Sales — % of Total Gross Sales	62.26%	59.21%	67.13%	71.41%	66.99%
Selling Area — Square Feet	13,738	17,163	19,428	16,540	13,494
Sales Per Square Foot — Selling Area	$190.18	$158.18	$143.74	$144.80	$148.31
Total Area — Square Feet	28,015	33,478	31,898	27,149	23,382
Sales Per Square Foot — Total Area	$85.06	$92.75	$87.55	$88.22	$85.59
Sales Per Person Employed	$107,839	$116,517	$87,988	$83,003	$89,718
Sales Per Customer	$29.63	$37.86	$18.18	$19.97	$26.17

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Historical Trends

Department	Percent Of Net Sales**					Sales Per Square Foot				
	1985	1984	1983	1982	1981	1985	1984	1983	1982	1981
Hardware	9.1%	10.3%	11.1%	9.8%	7.3%	$130.67	$140.78	$144.79	$139.13	$131.02
Hand Tools*	3.0	3.4	4.8	4.1	3.5	114.88	125.75	131.40	129.03	102.86
Power Tools & Accessories*	2.4	3.3	4.6	2.4		145.08	136.48	154.59	112.05	
Plumbing, Heating & Cooling	6.6	7.6	10.2	9.0	4.8	130.72	143.50	132.94	121.78	136.39
Electrical Supplies	4.5	5.5	7.5	7.0	3.7	121.19	130.32	126.60	131.59	121.29
Paint & Home Decorating	7.3	8.7	9.2	9.2	6.5	143.42	129.37	131.07	137.37	133.11
Lumber	27.7	20.3	14.4	16.8	26.6	389.12	364.21	261.14	205.79	237.62
Building Materials	26.8	25.7	17.2	17.9	29.0	225.61	292.18	280.76	258.53	263.98
Lawn & Garden	5.0	5.4	9.4	9.1	4.6	125.27	117.01	89.53	79.91	93.64
Housewares	1.3	2.0	4.2	4.1	2.9	71.48	85.23	92.70	75.65	54.72
Automotive Supplies	.9	.5	1.2	1.6	1.5	110.64	160.40	137.64	121.31	124.31
Major Appliances & Home Entertainment	.5	1.6	1.4	1.1	1.2	130.01	113.07	121.20	78.50	87.47
Sporting Goods & Outdoor Living	.8	1.3	1.7	2.1	1.8	112.03	100.00	139.85	124.18	86.38
Miscellaneous Goods	4.1	4.4	3.1	5.8	6.6	102.85	118.77	187.40	155.22	110.25

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1985	1984	1983	1982	1981	1985	1984	1983	1982	1981
Hardware	4.7x	5.3x	4.2x	4.6x	4.6x	$1.88	$2.13	$1.62	$1.88	$1.76
Hand Tools*	5.8	4.9	4.0	4.2	4.1	2.06	1.74	1.38	1.50	1.34
Power Tools & Accessories*	4.2	5.3	3.9	3.4		1.28	1.65	1.36	1.08	
Plumbing, Heating & Cooling	5.1	5.1	4.8	4.8	5.1	1.88	1.92	1.81	1.73	1.75
Electrical Supplies	5.0	4.8	5.1	4.4	5.0	1.87	1.76	1.95	1.70	1.81
Paint & Home Decorating	6.1	6.6	5.9	5.2	5.2	2.06	2.48	2.14	1.95	2.03
Lumber	6.9	8.3	7.2	6.8	7.7	1.72	2.11	1.94	1.64	1.82
Building Materials	6.6	5.8	6.6	6.8	7.1	1.74	1.72	1.82	1.81	1.73
Lawn & Garden	5.0	5.3	5.2	4.8	6.6	1.57	1.76	1.55	1.60	1.71
Housewares	3.9	3.1	4.6	5.0	4.6	1.28	1.05	1.45	1.78	1.21
Automotive Supplies	4.5	3.6	5.5	4.3	4.5	1.44	1.04	1.73	1.33	1.44
Major Appliances & Home Entertainment	3.8	4.1	5.0	4.1	5.1	.67	.84	.91	.87	1.26
Sporting Goods & Outdoor Living	3.7	3.7	5.2	4.7	4.0	1.21	1.06	1.45	1.58	1.13
Miscellaneous Goods	4.8	5.0	4.9	4.3	4.0	.86	1.63	1.39	1.41	1.28

*Hand and power tools were not reported as separate categories in 1981
**Average Home Center

Monthly Sales

Month	1985	1984	1983	1982	1981
January	6.0	6.0	5.7	6.0	6.1
February	5.4	5.9	5.4	5.6	5.6
March	6.9	6.8	6.7	7.0	7.2
April	8.8	8.2	8.0	8.2	8.7
May	9.8	9.9	9.3	9.2	9.7
June	9.6	10.2	10.1	8.9	9.6
July	9.4	9.2	9.4	9.8	9.3
August	9.4	9.2	9.3	9.5	9.0
September	8.8	8.6	9.0	9.0	8.8
October	9.1	8.8	9.1	9.2	9.3
November	8.4	8.4	8.6	8.4	8.1
December	8.4	8.8	9.4	9.2	8.6

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for home center retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts, if excessively high without the use of a finance charge, customers are operating on the firm's money.

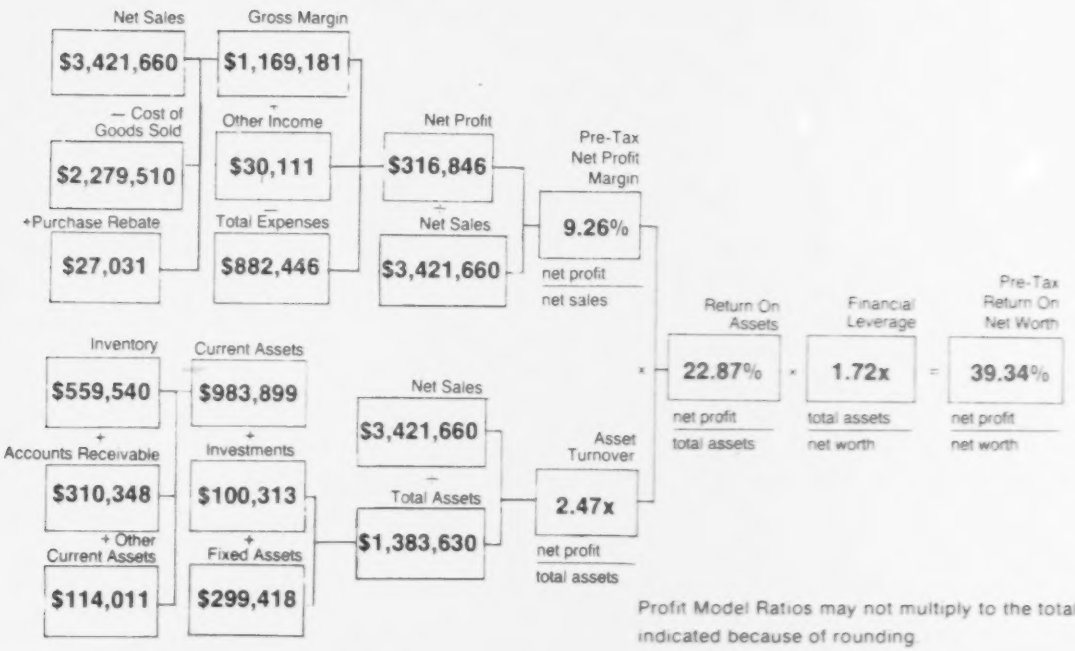
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Home Center category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Home Centers



Profit Model Ratios may not multiply to the totals indicated because of rounding.

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Highlights

Type of DIY Lumber Outlet	1985 Net Sales ($)	Sales Increase Over 1984* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns x
All Home Centers	2,631,881	+3.59	29.71	4.31	20.89	4.10
Low Profit	2,477,576	-3.27	27.80	- .07	- .42	4.10
High Profit	3,421,660	+8.07	34.17	9.26	39.35	4.14
Sales Volume Size						
Under $1,000,000	803,022	+13.05	36.04	3.66	15.15	2.42
$1,000,000 to $2,999,999	1,812,320	+1.86	28.56	2.45	10.40	3.53
$3,000,000 to $4,999,999	5,428,319	+4.74	30.33	5.93	33.17	4.98
Sales Floor Size						
Under 10,000 Sq. Ft.	2,021,837	+3.45	29.31	2.42	11.71	3.79
10,000 to 19,999 Sq. Ft.	2,335,460	+4.19	28.04	2.84	13.73	4.03
20,000 Sq. Ft. or more	6,009,958	- .08	34.53	9.62	46.93	4.53
Type of Origin						
Originally Hardware	1,859,794	+5.61	34.50	4.85	18.07	3.16
Originally Lumber/Building Materials	3,016,543	+2.88	28.77	4.38	22.31	4.32
Organized as Home Center	2,197,160	+6.14	31.72	3.50	18.66	4.51
Trade Area Size						
Metropolitan Statistical Area	2,256,246	+ .73	29.58	2.52	11.11	3.61
Cities 10,000 to 50,000	3,425,951	+2.72	32.08	6.45	33.67	4.58
Towns Under 10,000	2,333,401	+7.99	26.47	3.43	16.99	4.16
Outlet Location: Part I						
Downtown	1,943,528	+5.51	28.03	3.20	15.42	4.02
Suburban	3,226,023	+3.78	31.27	5.21	26.11	4.30
Rural	1,722,174	+ .82	25.40	1.73	7.24	3.43
Outlet Location: Part II						
Shopping Centers	1,444,420	+8.87	35.56	3.81	17.85	3.23
Free-Standing — No Stores Adjacent	3,664,105	+6.53	31.55	7.00	36.50	4.26
Free-Standing — Stores Nearby	2,729,068	+2.39	28.66	2.96	14.70	4.43
Number of Stores:						
Single Store Business	2,611,517	+4.41	29.94	3.59	16.63	4.22
2 to 4 Stores	4,144,350	+2.15	31.69	7.57	38.78	4.33
5 to 10 Stores	1,906,278	- .30	31.53	1.71	8.24	3.06
11 Stores or More	1,965,677	+4.65	25.71	2.21	10.90	4.13

*As reported by The Bottom Line contributors

Monthly Sales

	%		%		%
January	6.0	May	9.8	September	8.8
February	5.4	June	9.6	October	9.1
March	6.9	July	9.4	November	8.4
April	8.8	August	9.4	December	8.4

All Home Centers

Income Statement Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Number of Stores	256	43	67
Net Sales Volume	$2,631,881	$2,477,576	$3,421,660
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+3.59%	-3.27%	+8.07%
Gross Sales	102.62%	101.40%	103.73%
Less: Total Deductions	2.62	1.40	3.73
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	70.70	72.51	66.62
Margin Before Purchase Rebate or Patronage Dividend	29.30	27.49	33.38
Purchase Rebate or Patronage Dividend	.41	.31	.79
Margin After Purchase Rebate or Patronage Dividend	29.71	27.80	34.17
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.47	2.41	2.71
Salaries/Wages — Other Employees	10.23	11.13	10.38
Federal and State Payroll Taxes	1.17	1.35	1.03
Group Insurance	.50	.40	.63
Benefit Plans	.78	.80	1.26
Total Payroll and Other Employee Expense	15.15	16.09	16.01
Occupancy Expense			
Heat, Light, Power, Water	.67	.68	.68
Building Repairs and Maintenance	.17	.18	.14
Rent or Ownership in Real Estate**	1.93	2.50	1.68
Total Occupancy Expense	2.77	3.36	2.50
Other Costs of Doing Business			
Office Supplies and Postage	.44	.50	.46
Advertising and Promotion	1.93	1.78	1.69
Donations	.05	.05	.05
Telephone and Telegraph	.26	.33	.25
Bad Debts	.37	.52	.20
Credit Card Expense (Bank Charges)	.15	.06	.31
Delivery (Other than Wages)	.55	.76	.44
Leasing Expenses (Non-Occupancy)	.28	.35	.35
Insurance (Other than Real Estate and Group)	.37	.57	.36
Taxes (Other than Real Estate and Payroll)	.30	.44	.20
Interest (Other than Real Estate)	1.34	1.14	.55
Depreciation (Other than Real Estate)	.62	.62	.67
Store and Shop Supplies	.23	.27	.24
Legal and Accounting	.24	.36	.20
Computer Services and Expenses (Other than Wages)	.12	.10	.15
Dues and Subscriptions	.05	.06	.03
Travel, Buying, Entertainment	.22	.17	.26
Miscellaneous Services (Laundry, Disposal, Etc.)	.14	.12	.28
Unclassified Expenses	1.09	1.29	.59
Total Other Costs of Doing Business	8.75	9.49	7.28
Total Operating Expenses	26.67	28.94	25.79
Operating Profit or Loss	3.04	-1.14	8.38
Other Income	1.27	1.07	.88
Net Operating Profit or Loss (Before Income Taxes)	4.31	-.07	9.26

*As reported to us by The Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

All Home Centers

Balance Sheet Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Total Dollar Assets	$1,035,952	$939,174	$1,383,630
		% of Total Assets	
Assets			
Cash On Hand and In Bank	3.44	2.75	4.45
Notes and Installment Contracts Receivable	1.48	1.33	2.39
Accounts Receivable	20.37	17.87	22.43
Merchandise Inventory (End of Year)	44.02	45.99	40.44
Other Current Assets	2.75	3.49	1.40
Total Current Assets	72.06	71.43	71.11
Stocks and Bonds	1.67	1.84	1.66
Real Estate (Not Used In Bus.)	.68	.44	.97
Other Investments	5.98	6.19	4.62
Total Investments	8.33	8.47	7.25
Land (Owned and Used In Bus.)	3.19	1.80	5.07
Buildings (Owned and Used In Bus. Less Depre.)	7.46	6.36	8.19
Leasehold Improvements (Less Amortization Allowance)	1.81	1.23	2.73
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.01	4.40	3.60
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.40	1.64	1.30
Other Fixed Assets	1.74	4.67	.75
Total Fixed Assets	19.61	20.10	21.64
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	13.36	14.93	14.13
Current Portion of Notes Payable	6.10	12.63	3.31
Accrued Payroll Taxes	.45	.20	.48
Accrued Other Taxes	3.29	.91	7.39
Other Accrued Expenses	3.07	1.29	5.05
Other Current Liabilities	3.12	2.71	1.82
Total Current Liabilities	29.39	32.67	32.18
Notes Due Partners/Officers	2.14	1.80	1.59
Mortgage Payable	2.28	5.20	1.84
Long Term Debt	13.51	14.95	5.99
Other Long Term Liabilities	.29	.11	.23
Total Long Term Liabilities	18.22	22.06	9.65
Total Liabilities	47.61	54.73	41.83
Net Worth	52.39	45.27	58.17
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	20.89%	-.42%	39.35%
Active Owner's Return	32.86%	13.65%	50.87%
Current Asset Ratio	2.45x	2.19x	2.21x
Quick Asset Ratio	.95x	.78x	.95x
Total Debt to Tangible Net Worth	90.86%	120.92%	71.91%
Stock Turn Times	4.10x	4.10x	4.14x
Sales to Inventory Ratio	5.80x	5.65x	6.21x
Average Inventory per Sq. Ft. Sales Area	$62.54	$50.47	$44.73
Net Sales to Accounts Receivable	12.47x	14.77x	11.02x
Net Sales to Total Assets	2.54x	2.64x	2.47x
Net Sales to Net Worth	4.85x	5.83x	4.25x
Net Sales to Net Working Capital	5.96x	6.81x	6.35x
Other Operating Data			
Credit Sales — % of Total Gross Sales	41.08%	55.43%	27.08%
Consumer Sales — % of Total Gross Sales	62.26%	61.51%	63.98%
Selling Area — Square Feet	13,738	13,234	16,658
Sales Per Square Foot — Selling Area	$190.18	$197.45	$173.00
Total Area — Square Feet	28,015	26,605	36,358
Sales Per Square Foot — Total Area	$85.06	$95.53	$78.83
Sales Per Person Employed	$107,839	$98,317	$105,967
Sales Per Customer	$29.63	$26.55	$27.38

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††Defined as the top twenty-five percent of all contributors based on Net Profit